

**REPORT OF THE AUDIT OF THE
CLINTON COUNTY
SHERIFF'S SETTLEMENT - 2007 TAXES**

**For The Period
May 1, 2007 Through July 3, 2008**



**CRIT LUALLEN
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
CLINTON COUNTY
SHERIFF'S SETTLEMENT - 2007 TAXES

For The Period
May 1, 2007 Through July 3, 2008

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2007 Taxes for Clinton County Sheriff for the period May 1, 2007 through July 3, 2008. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$2,433,812 for the districts for 2007 taxes, retaining commissions of \$100,491 to operate the Sheriff's office. The Sheriff distributed taxes of \$2,329,641 to the districts for 2007 taxes. Taxes of \$374 are due to the districts from the Sheriff.

Report Comments:

2007-01 The Sheriff Had A Deficit Of \$1,447 In His Tax Account
2007-02 The Sheriff Should Maintain Accurate Accounting Records
2007-03 The Sheriff Should Deposit Funds Intact On A Daily Basis
2007-04 The Sheriff Should Pay Interest Earned On A Monthly Basis
2007-05 The Sheriff's Office Lacks Adequate Segregation Of Duties

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Lyle Huff, Clinton County Judge/Executive
Honorable Ricky Riddle, Clinton County Sheriff
Members of the Clinton County Fiscal Court

Independent Auditor's Report

We have audited the Clinton County Sheriff's Settlement - 2007 Taxes for the period May 1, 2007 through July 3, 2008. This tax settlement is the responsibility of the Clinton County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Clinton County Sheriff's taxes charged, credited, and paid for the period May 1, 2007 through July 3, 2008, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated November 3, 2008 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Lyle Huff, Clinton County Judge/Executive
Honorable Ricky Riddle, Clinton County Sheriff
Members of the Clinton County Fiscal Court

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2007-01 The Sheriff Had A Deficit Of \$1,447 In His Tax Account
- 2007-02 The Sheriff Should Maintain Accurate Accounting Records
- 2007-03 The Sheriff Should Deposit Funds Intact On A Daily Basis
- 2007-04 The Sheriff Should Pay Interest Earned On A Monthly Basis
- 2007-05 The Sheriff's Office Lacks Adequate Segregation Of Duties

The schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated in all material respects in relation to the financial statement taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

November 3, 2008

CLINTON COUNTY
RICKY RIDDLE, SHERIFF
SHERIFF'S SETTLEMENT - 2007 TAXES

For The Period May 1, 2007 Through July 3, 2008

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 174,515	\$ 267,071	\$ 1,224,723	\$ 386,427
Tangible Personal Property	24,722	31,092	103,023	107,034
Fire Protection	965			
Franchise Taxes	15,837	19,810	81,006	
Additional Billings	226	317	821	280
Oil and Gas Property Taxes	2,831	4,333	19,870	6,270
Limestone, Sand and Mineral Reserves	62	95	438	138
Penalties	2,035	3,076	13,914	4,601
Adjusted to Sheriff's Receipt	4,470	6,864	31,437	9,916
Gross Chargeable to Sheriff	225,663	332,658	1,475,232	514,666
<u>Credits</u>				
Exonerations	1,700	2,593	11,873	3,724
Discounts	3,186	4,699	20,780	7,593
Delinquents:				
Real Estate	4,500	6,881	31,556	9,957
Tangible Personal Property	665	836	2,987	877
Total Credits	10,051	15,009	67,196	22,151
Taxes Collected	215,612	317,649	1,408,036	492,515
Less: Commissions *	9,451	13,500	56,321	21,219
Taxes Due	206,161	304,149	1,351,715	471,296
Taxes Paid	205,870	303,640	1,349,466	470,665
Refunds (Current and Prior Year)	283	422	1,970	631
Due Districts		**		
as of Completion of Audit	\$ 8	\$ 87	\$ 279	\$ 0

* and ** See Next Page

The accompanying notes are an integral part of this financial statement.

CLINTON COUNTY
RICKY RIDDLE, SHERIFF
SHERIFF'S SETTLEMENT - 2007 TAXES
For The Period May 1, 2007 Through July 3, 2008
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	1,015,776
4% on	\$	1,408,036

** Special Taxing Districts:

Library District	\$	3
Health District		34
Extension District		4
Soil Conservation		<u>46</u>
Due Districts	\$	<u><u>87</u></u>

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENT

July 3, 2008

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Clinton County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENT
July 3, 2008
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Clinton County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of July 3, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2007. Property taxes were billed to finance governmental services for the year ended June 30, 2008. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 10, 2007 through July 3, 2008.

Note 4. Interest Income

The Clinton County Sheriff earned \$479 as interest income on 2007 taxes. As of November 3, 2008, the Sheriff owed \$266 in interest to the school district and \$213 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Clinton County Sheriff collected \$20,292 of 10% add-on fees allowed by KRS 134.430(3). The Sheriff distributed \$12,826 to the fee account to operate his office. As of November 3, 2008, the Sheriff owed \$7,466 in 10% add-on fees to his fee account.

Note 6. Advertising Costs And Fees

The Clinton County Sheriff collected \$1,145 of advertising costs and \$1,370 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute. As of November 3, 2008, the Sheriff owed \$1,370 in advertising fees to his fee account.

CLINTON COUNTY
RICKY RIDDLE, SHERIFF
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS

For The Period May 1, 20007 Through July 3, 2008

Assets

Cash in Bank (All Tax Accounts)	\$ 33,032
Deposits in Transit	59,895
Receivables	1,765
Uncollected Receivables-	
Overpayment of Commissions to Fee Account	<u>31</u>
Total Assets	<u>94,723</u>

Liabilities

Paid Obligations-		
Outstanding Checks	\$ 1,425	
Other Taxing Districts-		
State	11,092	
County	8,119	
Fire Acres	27	
School	46,908	
Library	2,357	
Health	2,853	
Extension	3,612	
Soil	1,287	
NSF Checks	572	
Refunds Due Taxpayers	106	
Tax Commissions Due Sheriff's Fee Account	<u>8,124</u>	
Total Paid Obligations		86,482
Unpaid Obligations-		
Other Taxing Districts-		
County	\$ 8	
School	279	
Library	3	
Health	34	
Extension	4	
Soil	46	
Interest Due School	266	
Interest Due Sheriff's Fee Account	213	
10% Add-On Due Sheriff's Fee Account	7,465	
Advertising Costs Due Sheriff's Fee Account	<u>1,370</u>	
Total Unpaid Obligations		<u>\$ 9,688</u>
Total Liabilities		<u>96,170</u>
Total Fund Deficit as of July 3, 2008		<u><u>\$ (1,447)</u></u>

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Lyle Huff, Clinton County Judge/Executive
Honorable Ricky Riddle, Clinton County Sheriff
Members of the Clinton County Fiscal Court

Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Clinton County Sheriff's Settlement - 2007 Taxes for the period May 1, 2007 through July 3, 2008, and have issued our report thereon dated November 3, 2008. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clinton County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Clinton County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clinton County Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency included in the accompanying comments and recommendations as item 2007-05, to be a significant deficiency in internal control over financial reporting.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Clinton County Sheriff's Settlement - 2007 Taxes for the period May 1, 2007 through July 3, 2008, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are included in the accompanying comments and recommendations as items 2007-01, 2007-02, 2007-03, and 2007-04.

The Clinton County Sheriff's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the Sheriff's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Clinton County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

November 3, 2008

COMMENTS AND RECOMMENDATIONS

CLINTON COUNTY
RICKY RIDDLE, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Period May 1, 2007 Through July 3, 2008

STATE LAWS AND REGULATIONS:

2007-01 The Sheriff Had A Deficit Of \$1,447 In His Tax Account

Based on our audit, the Sheriff had a deficit in his 2007 tax account in the amount of \$1,447. This deficit was the result of undeposited receipts totaling \$1,447. We recommend the Sheriff deposit personal funds of \$1,447 to eliminate this deficit.

Sheriff's Response: Will pay.

2007-02 The Sheriff Should Maintain Accurate Accounting Records

During the course of the audit, it was noted that the Clinton County Sheriff did not maintain accurate accounting records. The following was noted:

- Tax collections are not recorded into a detailed receipts ledger
- Source details of receipts being deposited are not included on deposit slips
- Bank deposits do not agree with the corresponding daily tax collection reports
- Accurate bank reconciliations are not prepared

The Clinton County Sheriff's financial records were not in compliance with the Uniform System of Accounts as required by the State Local Finance Officer. We recommend the Clinton County Sheriff ensure accurate accounting records are maintained in order to be in compliance with the Uniform System of Accounts.

Sheriff's Response: Will do better.

2007-03 The Sheriff Should Deposit Funds Intact On A Daily Basis

During the course of the audit, it was noted that the Clinton County Sheriff did not deposit monies on a daily basis. A review of the Sheriff's 2007 tax account revealed that some deposits took over 30 days to clear the bank. By not making timely deposits, the Sheriff places public funds at risk for loss or theft. KRS 68.210 states the State Local Finance Officer "shall prescribe and shall install, by July 1, 1985, a system of uniform accounts for all counties and county officials." The Instructional Guide for County Budget Preparation and State Local Finance Office Policy Manual KAR 109:15.020 under Handling Public Funds, states a minimum requirement of "Daily deposits intact into a federally insured banking institution." We recommend the Clinton County Sheriff deposit receipts intact on a daily basis to be in compliance with KRS 68.210.

Sheriff's Response: Will do.

CLINTON COUNTY
RICKY RIDDLE, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Period May 1, 2007 Through July 3, 2008
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

2007-04 The Sheriff Should Pay Interest Earned On A Monthly Basis

During the course of the audit, we noted that interest earned was not being paid to the school district on a monthly basis. KRS 134.140(3)(b)(d) requires the Sheriff to pay over interest on a monthly basis in the same manner as the monthly distribution of taxes to the individual districts. The Clinton County Sheriff should pay interest earned to the school district on a monthly basis in order to be in compliance with this statute.

Sheriff's Response: None.

INTERNAL CONTROL – SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS:

2007-05 The Sheriff's Office Lacks Adequate Segregation Of Duties

The Clinton County Sheriff's office lacks adequate segregation of duties. During the course of evaluating internal controls, the following deficiencies were noted:

- Mail is opened and receipts are listed by the bookkeeper. All deposits are prepared by the bookkeeper. The Sheriff did not document that he reviewed any of these procedures.
- The Sheriff does not deposit tax moneys paid to his office on a daily basis.
- The Sheriff does not open and examine bank statements before the bookkeeper prepares bank reconciliations.
- The Sheriff does not compare monthly tax reports to the bank statements.

We recommend the following compensating controls the Clinton County Sheriff could implement to offset these internal control deficiencies. Documentation of the compensating controls could be a signature or initial on documentation of the procedure performed:

- The Sheriff could open mail and review the receipts list prepared by the bookkeeper for accuracy.
- The Sheriff could recount cash and deposit tax monies on a daily basis.
- The Sheriff could open and examine the monthly bank statements before the bookkeeper prepares the bank reconciliation.
- The Sheriff could review all bank reconciliations prepared by the bookkeeper for accuracy.
- The Sheriff could review monthly tax reports for accuracy and compare amounts reported to monthly bank statements

Sheriff's Response: Will do better.

